

SATO's Story

The following is a little background which will hopefully clarify the requirement by Federal travel regulations to use a Travel Management Centers (TMCs) (travel agents under contract with the General Services Administration (GSA)) to obtain airline tickets. The cause of most people's concerns is not SATO, but a combination of regulatory requirements, airline policy and inadequate budgets.

Mandatory Use of TMC

Federal travel regulations require that Government agencies use a TMC (in our case - SATO) when making our travel arrangements to ensure that Government rules are followed. SATO offers the lowest fares available to them. Until GSA changes the Federal travel regulations, we are required to comply with them.

Government Fares

GSA negotiates Government fares with the airlines each year. These fares are based on airline competition. The following are advantages to using Government fares:

- | No advance purchases required,
- | No minimum or maximum length of stay required,
- | Fully refundable tickets and no charge for cancellations or changes,
- | YCA fare seating is not capacity controlled, (As long as there is a coach class seat on the plane, the traveler may purchase it),
- | No blackout dates,
- | Locked-in fares facilitate travel budgeting, and
- | 70% average savings over regular walk-up fares.
- | Fares are priced on one-way routes permitting agencies to plan multiple destinations.

Transaction Fees

For the past two decades, airlines paid travel agents a 10% commission for selling their tickets. In the past seven years, several actions by the airline industry, such as reducing the commissions paid by them to TMCs, have dramatically affected the way TMCs service Federal agencies. This has also impacted civilian travel companies in similar fashion.

Back in 1982, GSA was able to establish no-fee contracts with the TMCs since they received commissions from the airlines. However, in 1995 the airlines capped the commissions to \$50, and in 1997 and 1999, airlines cut commissions to 8% and 5%, respectively. In 1999, GSA issued a solicitation for fee based contracts, recognizing that commissions no longer covered an agent's cost of researching and writing tickets.

Under our current TMC contract, the DOC requires that the prices offered reflect airline commissions, in the form of reduced transaction fees. When airlines cut their commissions to SATO, SATO cut the commissions they apply towards our transaction fee - thus increasing the transaction fee. We are now at a point where airlines no longer offer commissions to travel agents. Therefore, we must pay SATO the full price of the fee without the application of any commissions.